

## April 10, 2013 Redevelopment Dissolution Webinar Q&A

### Questions and Answers

**Q: When the California Department of Finance (“DOF”) describes “property identified for future development”, is it their intent to require that each property be called out in the adopted Redevelopment Plan at the time of adoption, or is the plan considered to be an organic document that can include properties and projects that later identified in a Five-Year Implementation Plan?**

A: The DOF LRPMP FAQ Version 4.9.13 states that *“The use and disposition of the property should be consistent with and be identified in an approved redevelopment plan, or specific, community, or general plan. However, if the use and disposition of the property has changed or is not in accordance with the applicable plan, the Agency must explain why the intended use of the property has changed and when the change was approved by the Oversight Board.”* Under redevelopment law, properties or projects that were identified in a Five-Year Implementation Plan should have been consistent with the adopted Redevelopment Plan.

**Q: Does the City or County need to enter into a Compensation Agreement for properties that are to be transferred as Government Use?**

A: Any compensation provided to the SA (City or County) related to properties that are to be transferred as government use must be governed by an existing agreement. HSC §34181(a) indicates that the Oversight Board can direct “the successor agency to transfer ownership of those assets that were constructed and used for a governmental purpose, such as roads, school buildings, parks, police and fire stations, libraries, and local agency administrative buildings, to the appropriate public jurisdiction pursuant to any existing agreements relating to the construction or use of such an asset. Any compensation to be provided to the successor agency for the transfer of the asset shall be governed by the agreements relating to the construction or use of that asset.”

Transfers of government use properties can occur before the Finding of Completion in certain circumstances if these transfers comply with §34181(a), the transfers are approved by the Oversight Board and DOF does not object to the transfer within 60 days of Oversight Board approval. If DOF objects to the transfer, the property shall remain with the Successor Agency for inclusion in the LRPMP. If no agreement was in place before dissolution, and a compensation agreement is reached with the Affected Taxing Entities (“ATEs”), the proposed distribution of proceeds should be reflected in the LRPMP.

**Q: How does the DOF propose that Compensation Agreements be drafted? Does it require the signature of every affected taxing entity (“ATE”), or just the ones represented on the Oversight Board?**

A: Compensation agreement in place prior to dissolution should be administered according to the terms of the agreements. While the law does not specifically describe the procedures for entering in to compensation agreements, presumably, new compensation agreements should be agreed upon by all ATEs impacted by the proposed transaction, which may include entities not represented on the Oversight Board.

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**Q: The DOF has published a FAQ document that states that any compensation agreement must provide to each ATE with “a payment in proportion to its share of the base property tax generated by the property”. Many properties owned by former redevelopment agencies (“RDAs”) have a base property tax of zero. Is that the DOF’s intent?**

A: There is no information on the DOF’s intent with regard to this issue. There are a number of methods for determining the value of a property, and in some cases it could depend on a variety of factors such as land use and revenue generating potential. If revenues are to be paid to ATEs, they would be distributed based on each ATE’s proportionate share of property tax revenues from the base assessed value (base property tax).

**Q: If a property plan was prepared and approved under AB1x26 does the Successor Agency still have to complete a Long Range Property Management Plan (“LRPMP”)?**

A: Yes. Property disposition has been suspended with limited exceptions, such as Governmental Use properties, until either a LRPMP is approved, or January 1, 2015, if no LRPMP is approved by the DOF.

**Q: The County is working on a refunding program for former redevelopment agencies. How will the associated refinancing and refunding costs for local redevelopment bonds be paid? Will the county be assuming the repayment obligations?**

A: The LA County Treasurer and Tax Collector’s Office (“TTC”) is putting together a plan to assist in the refunding of tax allocation bonds and will be providing details of this proposal in the near future. The TTC program would facilitate the issuance of refunding bonds and lower debt service payments in the future in order to provide a cost-effective means for bond refundings that will benefit both SAs and ATEs. Participating agencies will continue to pledge project area revenues and make debt service payments from the same revenue sources as currently exist today.

**Q: Can the LRPMP anticipate the County refinancing and refunding?**

A: No. More information will be sent out soon on the refinancing program.

**Q: My Successor Agency has not received its Non-Housing DDR determination.**

A: The Successor Agency should follow up with the DOF on the status. You can also check the DOF website or send an email to check on the status.

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**Q: If the Non-Housing DDR is approved by the DOF as sent (no payment or meet and confer) how long will it take for a Finding of Completion (“FOC”) to be issued by the DOF?**

A: The DOF website has a form that Successor Agencies are required to complete which explains the process. Completing the form and submitting it to the DOF initiates the process for receipt of the FOC. The form is available [here](#).

**Q: Are you required to apply for a FOC as opposed to having it automatically sent to you by the DOF? How does the State Controller’s Office (“SCO”) report on former Agency assets get factored into preparation of the LRPMP?**

A: The DOF requires Successor Agencies to submit a form before a FOC is issued (see above). The SCO has not completed its review of agency assets, however, the SCO may order the reversal of certain asset transfers, which will impact the Successor Agency’s asset portfolio. The extent of the impacts of the SCO reviews on the LRPMP is not yet clear.

**Q: When will a determination be made regarding Bonds issued between January and June 2011?**

A: The law currently allows the use of bond proceeds from bonds issued prior to 2011 for housing purposes (HSC §34176(g)) and redevelopment purposes (HSC §34191.4(c)) under certain circumstances. There has been a bill proposed to address the use of bond proceeds from bonds issued between January and June 2011. (AB981).

**Q: If there is no payment due as part of the Non-Housing Due Diligence Review (“DDR”) process, will the County Auditor-Controller (“A-C”) verify that no payment is required so that a FOC can be issued?**

A: The DOF requires Successor Agencies to submit a form before a FOC is issued (see above), so that the DOF can verify that the requirements have been met.

**Q: Since the Oversight Board (“OB”) has no authority over the Housing Successor Agency (“HSA”), can the HSA commit to spending housing bond proceeds prior to the LRPMP process being completed? This assumes that a FOC has been issued.**

A: HSC §34176(g) governs the use of housing bond proceeds. The HSA may commit proceeds, but must notify the SA of any commitment of funds at least 20 days before the deadline to submit the ROPS to the OB, and the use of housing bond proceeds must be included on the ROPS.

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**Q: Do real property assets acquired with housing funds have to be included on the LRPMP?**

A: If the property was included on the Housing Asset Transfer ("HAT") form approved by the DOF it does not have to be listed on the LRPMP since it would be an asset of the Housing Successor Agency ("HSA"). However, some properties acquired with housing funds may be mixed-use properties that are governed by HSC §34176(f) and may not be on the HAT. Any properties retained by the SA must be addressed in the LRPMP.

**Q: If properties must be part of a project identified in an approved redevelopment plan, would the plan have had to be approved prior to a certain date?**

A: Yes, it would have to be part of a redevelopment plan that was in place at the time the dissolution law was approved (June 27, 2011).

**Q: Slide #13 states that the retention of property for a governmental use is part of the LRPMP approval process, which means that a Successor Agency ("SA") cannot get a governmental purpose designation until a FOC is obtained. Is that correct? HSC §34191.3 exempts governmental use properties from the LRPMP process. Please clarify.**

A: Property disposition has been suspended with the exception of governmental use properties, which means that those types of transfers can occur before the LRPMP is approved under certain circumstances. However, if there are properties that are in the possession of the SA at the time that the LRPMP is being prepared, they must be listed in the LRPMP. The LRPMP contains an inventory and governs the disposition of all assets remaining, therefore all properties need to be identified and go through the process explained in Slide 13, even governmental use properties.

**Q: For the sale of a property do the state preference rules apply, such as parks and educational entities with first rights?**

A: Once approved, the LRPMP supersedes all other provisions of the law dealing with the disposition and use of former RDA assets (HSC §34191.3). However, the LRPMP requirements do not specifically address the issue of preferences.

**Q: If an asset has been transferred to the City, can the SA continue to list the financial obligations connected with the asset on the ROPS for tax increment funding?**

A: No. Once a property has been transferred to a city, any associated obligations cannot be listed on the ROPS unless they are outstanding enforceable obligations of the Successor Agency.

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**Q: Doesn't HSC §34191.4(a) specifically exempt from the LRPMP process properties that are subject to any existing enforceable obligations?**

A: HSC §34191.4(a) does state that properties that are subject to an existing enforceable obligation do not get transferred into the trust, and the LRPMP only governs assets included in the trust. It's important to emphasize that to be considered an enforceable obligation, a contract must have been entered into by June 27, 2011, otherwise it would not be an enforceable obligation and would not exempt the property from transfer into the trust and being subject to the LRPMP. Even if a property is subject to an enforceable obligation, it still must be listed on the LRPMP so that it can be reviewed by the Oversight Board and DOF.

**Q: Doesn't HSC § 34191.5(c)(2)(A) state that the LRPMP directs that the use or liquidation of property for a project identified in the redevelopment plan be transferred to the City, County or City and County that approved the plan?**

A: Yes (Slide #13 - orange track).

**Q: Is it necessary to list again on the LRPMP properties that were approved by the DOF for transfer on the HAT form or transferred to the City as a governmental use property?**

A: No. The LRPMP only applies to properties that remain in the possession of the SA. Properties that have already been approved for transfer by the DOF do not have to be included in the LRPMP.

**Q: Who is responsible for calculating the amounts to be distributed to the taxing entities? Is there a formula to insure that the correct amounts are being distributed?**

A: The amounts distributed to the ATEs include residual RPTTF, remaining cash balances, proceeds from asset sales not needed for enforceable obligations, and payments pursuant to a compensation agreement. As described in HSC §34177(e), proceeds from asset sales and related funds that are no longer needed for approved development projects or to otherwise wind down the affairs of the agency will be distributed by the A-C as property tax proceeds according to the formula described in HSC §34188. Distributions under a compensation agreement are distributed according to the terms of the agreement.

**Q: On the loan repayment Slide #36, is the 6 million the annual RPTTF amount or a subset of that amount?**

A: In the example, it represents the net RPTTF residual amount available to be distributed to the ATEs after all DOF approved enforceable obligations listed on the ROPS have been paid.

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**Q: This question applies to a scenario where a parking structure is constructed, financed and operated using lease revenue bonds from a city lease (the City leases from the RDA and the bonds are repaid from the lease revenues). Do the Affected Taxing Entities have a call on the City's parking revenues after bond debt service payments are made? What if the parking structure was financed and operated from properties located within a business assessment district with parking in-lieu fee requirements? Are parking structures always assumed to be an asset of the SA?**

A: Most of the content of this Webinar presentation applies to general circumstances, while some asset disposal issues that you might encounter will bring up very specific issues and may require that you consult with your Oversight Board counsel for guidance. It is important that Oversight Boards avoid rushing through the process and take whatever time is necessary to understand the process and review and research each item as needed.

**Q: Which section of AB1484 requires a 20% Low and Moderate Income Housing set aside to be applied to city loan repayment amounts?**

A: HSC §34191.4(b)(2)(C) states that *"Twenty percent of any loan repayment shall be deducted from the loan repayment amount and shall be transferred to the Low and Moderate Income Housing Asset Fund, after all outstanding loans from the Low and Moderate Income Housing Fund for purposes of the Supplemental Educational Revenue Augmentation Fund have been paid."*

**Q: How should a working public library be appraised that has a negative residual land value and is deemed a SA property? Can RPTTF revenues be used to finance the operation and maintenance of these types of properties?**

A: The LRPMP should contain an estimated current value for each property and an explanation of how the estimate was made, which could include appraisal information or other methods as generally described in slides #18 to 22. RPTTF can only be used to fund approved enforceable obligations. Questions regarding whether specific operations and maintenance costs are enforceable obligations should be directed to the Oversight Board, your counsel, or the DOF.

**Q: If a property was acquired and constructed for a governmental use and being used for that purpose (e.g. a public library), does the very existence of that use constitute an "agreement"?**

A: No. HSC §34181(a) states that *"the oversight board may instead direct the successor agency to transfer ownership of those assets that were constructed and used for a governmental purpose... to the appropriate public jurisdiction pursuant to any existing agreements relating to the construction or use of such an asset. Any compensation to be provided to the successor agency for the transfer of the asset shall be governed by the agreements relating to the construction or use of that asset."*

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**Q: Our Non-Housing DDR was approved and payment sent to the A-C, yet the DOF has still not issued a FOC pending A-C confirmation of payment. When will the DOF be notified of the payment having been made?**

A: The A-C is in regular contact with the DOF and provides them with payment confirmations on the same day that they occur. In this case you may want to follow up with the DOF to find out where they are in the process.

**Q: Is it likely that the DOF will approve future developments given their concern about property transfers to sponsoring cities? Would funds have to come from the city that acquires the property?**

A: We cannot say with certainty what the DOF will approve. However, once a property is transferred from the SA, RPTTF cannot be used to fund development or ongoing expenses.

**Q: Who distributes residual proceeds to the ATEs, the SA or the County? Can proceeds be sent to the County for them to distribute?**

A: The law requires that counties distribute the RPTTF residual proceeds, which are collected and disbursed by the county A-C.

**Q: Is there a way to watch the Webinar again or get a copy of the Webinar presentation?**

A: Each Webinar is recorded and made available for viewing from our Redevelopment Dissolution website (<http://redevelopmentdissolution.lacounty.gov>). To view the April 10, 2013 Webinar Video click [here](#). To view the Webinar presentation slides click [here](#).

**Q: Was the Webinar only offered to County Appointees? If so, should other OB members be notified to watch the Webinar video on the county website?**

A: The training and associated materials provided by the county are available to all OB members regardless of who appointed them, and an invitation to participate in the Webinar was sent out to all members of each OB, as well as a wide variety of city staff and other interested parties.

**Q: Is there a way to contact somebody at the county to answer questions about redevelopment dissolution, or to submit further questions after the webinar?**

A: Yes. The best way to submit questions to the LA County Redevelopment Dissolution Team is to send an email to [oversightboard@ceo.lacounty.gov](mailto:oversightboard@ceo.lacounty.gov).

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**Q: Where can I find more information on redevelopment dissolution?**

A: Additional information on redevelopment dissolution is available from the following websites:

- [California Department of Finance](#)
- [LA County Auditor-Controller](#)
- [LA County Redevelopment Dissolution Team](#)

### Abbreviations:

- A-C: Los Angeles County Auditor-Controller
- ACA: Administrative Cost Allowance
- ATE: Affected Taxing Entities
- AUP: Agreed-Upon Procedures Audit
- DDR: Due Diligence Review
- DOF: California Department of Finance
- EO: Enforceable Obligation
- FOC: Finding of Completion
- HAT: Housing Asset Transfer
- HSA: Housing Successor Agency
- HSC: Health and Safety Code
- LMIHF: Low- and Moderate-Income Housing Fund
- LRPMP: Long-Range Property Management Plan
- OB: Oversight Board
- RDA: Redevelopment Agency
- RPTTF: Redevelopment Property Tax Trust Fund
- ROPS: Recognized Obligation Payment Schedule
- SA: Successor Agency
- SCO: State Controller's Office
- SERAF: Supplemental Education Revenue Augmentation Fund
- TAB: Tax Allocation Bond
- TTC: Los Angeles County Treasurer and Tax Collector